

## **Attachment 16A: Education Benefits & Interest Receivable Recognition Guidance**

### **BACKGROUND**

Education benefits provided for certain involuntary separatees under 38 United States Code (U.S.C.) §3018A and for certain voluntary separatees under 38 U.S.C §3018B are to be paid from the Department of Defense (DoD) Education Benefits Fund (Fund). Since there is no provision for normal cost contributions to offset the liabilities to the Fund created by these benefits, the benefits paid produce an unfunded liability for the Fund. The DoD Board of Actuaries (Actuaries) determine the estimated amount of benefits paid plus accumulated interest that is to be paid by the four services (Army, Navy, Air Force, and Marines) to the Fund to liquidate this liability.

In August of each fiscal year (FY), the Defense Finance and Accounting Service (DFAS) Trust Fund Accounting Division provides the DFAS Accounting Services Network (hereafter referred to as Accounting Sites) with a letter from the Actuaries that includes the schedule of per capita amounts and amortization payment amounts for the four services. The estimated liability as of year-end is identified in Section III of the schedule. Services will reimburse the Fund on the first day of the new fiscal year for the amounts determined by the actuaries for the liability as of year-ended.

### **RECOGNIZE LIABILITY**

Beginning FY 2005, 1<sup>st</sup> Qtr, the outstanding liability and the related expenses will be recognized in the year in which they were incurred and should be recognized as described below. The accumulated interest liability is calculated once each year, therefore, it is captured only in the 4<sup>th</sup> Quarter.

Beginning FY 2004, 4<sup>th</sup> quarter, education benefit and interest liabilities will no longer be captured as an unfunded liability. From this point forward, the principal and interest liability will be recorded as a current year expense with current year obligations in the year in which they were incurred. The prescribed treatment more accurately reflects trading partner transactions as well as reciprocal USSGL's properly. The data call amounts provided will be expensed and obligated in the current period, but may continue to be paid in October of the next fiscal year.

### **JOURNAL ENTRIES**

Note: (1) Many of the legacy and migratory systems may be using 6100(F), and 2110 (F). When this occurs, a reclassification entry must be made to correctly reflect the entries.

Note: (2) The data call information will no longer provide principal and interest separately. The two items will be reported as Other Accrued Liability.

#### **Record Payment of Actual Expenses Paid**

2190 (F)(F) (97AU)	Other Accrued Liability
1010	Fund Balance with Treasury

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This second set of entries is to record the new accruals for current period.

Budgetary Entry			
4801		Undelivered Orders – Obligations, Unpaid	
	4901		Delivered Orders - Obligations, Unpaid

  

6400 (F) (97AU)		Benefit Expense	
2190 (F)(F) (97AU)			Other Accrued Liability

### JOURNAL VOUCHER SUPPORT

The following support will be included with this entry:

1. Department of Defense Board of Actuaries Letter to the Secretary of Defense, “Education” with attachment “Approved Per Capita Amounts and Amortization Payment Amounts” for the year ended. The DFAS Trust Fund Accounting Division provides this letter to the DFAS Sites in September of each fiscal year.